

Nottingham and Nottinghamshire

N2 Governance Review

Introduction

- 1.1. This document has been prepared by the local authorities that form the City of Nottingham and Nottinghamshire Joint Economic Prosperity Committee (Ashfield District, Bassetlaw District, Broxtowe Borough, Gedling Borough, Mansfield District, Nottingham City, Nottinghamshire County, Newark & Sherwood District and Rushcliffe Borough Councils). It details the findings of a governance review that has been undertaken under Section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA)¹ and Section 82 of the Local Transport Act 2008.
- 1.2. Section 108 of LDEDCA provides that relevant authorities may undertake a review of the effectiveness and efficiency of transport within the area covered by the review and of the effectiveness and efficiency of arrangements to promote economic development and regeneration within the area covered by the review.
- 1.3. A review may recommend that a new legal body should be established if the creation of one of these bodies would be likely to improve:
 - the exercise of statutory functions relating to economic development, regeneration and transport in the area i.e. the area covered by N2 authorities
 - (for combined authorities) the effectiveness and efficiency of transport in the area;
 - and the economic conditions in the area.
- 1.4. The issues set out in this document are the subject of consultation with all stakeholders including proposed members of the Combined Authority (henceforth referred to as the “Nottingham and Nottinghamshire Combined Authority”); neighbouring authorities; the D2N2 Local Enterprise Partnership and neighbouring LEPs; Nottingham and Nottinghamshire MPs; other public bodies; the Chamber of Commerce; other private sector bodies; regulatory bodies; third sector bodies as well as all relevant government departments.
- 1.5. This document is issued as part of an iterative process of consultation. The findings of this governance review and the ‘scheme’ for the Nottingham and Nottinghamshire Combined Authority will be considered by each of the constituent local authorities. Following the submission of the scheme, the Department for Communities and Local Government will launch a statutory consultation exercise.

2. Executive Summary

- 2.1. The nine local authorities that make up the N2 area have a long history of informal collaboration on matters which impact on the economic success of the area and

¹ See draft statutory guidance <http://www.communities.gov.uk/documents/regeneration/pdf/1457197.pdf>

which contribute to the wider economic geography across the D2N2 area (Derby, Derbyshire and Nottingham, Nottinghamshire).

2.2. This collaboration was formalised through the development of the City of Nottingham and Nottinghamshire Joint Economic Prosperity Committee as well as continuing collaboration on a more informal basis through the Nottinghamshire Leaders Group. The tangible benefits of this collaboration can now be seen in the designation of the Nottingham Enterprise Zone, Nottingham's City Deal, and the recent D2N2 Growth Deal.

2.3. ***Figure 1 – the N2 area***

Insert map of N2 area here

2.4. Whilst increased coordination and collaboration is positive and leads to tangible benefits, the governance structures of the N2 area need to be viewed in the context of the scope for exercising devolved powers and resources through strong local governance structures.

2.5. Those authorities in the N2 area recognise the value of leading and shaping the debate on devolution and taking wider responsibility for the economic prosperity of their area. The N2 area will outgrow its existing governance structures and arrangements – which have traditionally been informal, voluntary partnerships with the recent addition of a Joint Economic Prosperity Committee. Accordingly, N2 Leaders have recognised the opportunity to establish a more formal governance structure in the form of a Combined Authority.

2.6. To this end, it was agreed at the Joint Economic Prosperity Committee on 26 September 2014 that this Governance Review should be undertaken under s.108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) and under the 2008 Transport Act. In accordance with statutory guidance² the purpose of this Governance Review has been to:

- evaluate the effectiveness and efficiency of existing governance arrangements for economic development, regeneration and transport across the N2 area;
- consider the options available for making changes to these governance structures and arrangements – such as leaving existing governance unchanged, strengthening or restructuring existing governance arrangements, establishing an Economic Prosperity Board (EPB), and establishing a Combined Authority;
- recommend which option is likely to be most beneficial to the N2 area and strengthen the overall governance arrangements across Derbyshire and

²<http://www.communities.gov.uk/documents/regeneration/pdf/1457197.pdf>

Nottinghamshire that contribute to the effectiveness of the D2N2 Local Enterprise Partnership.

- 2.7. The N2 Governance Review has been undertaken in the context of an evolving relationship between the N2 local authorities, with the D2 local authorities and Government. Accordingly, the question for the N2 governance review has not just been whether N2 governance arrangements are sufficient today, but also whether they will be sufficient to deliver the N2 area's medium to long-term ambitions?
- 2.8. This document sets out the N2 Governance Review and concludes that establishing a Nottingham and Nottinghamshire Combined Authority **would improve the exercise of statutory functions in relation to economic development, regeneration and transport and would lead to an enhancement of the economic conditions and performance of the Nottingham and Nottinghamshire area.**

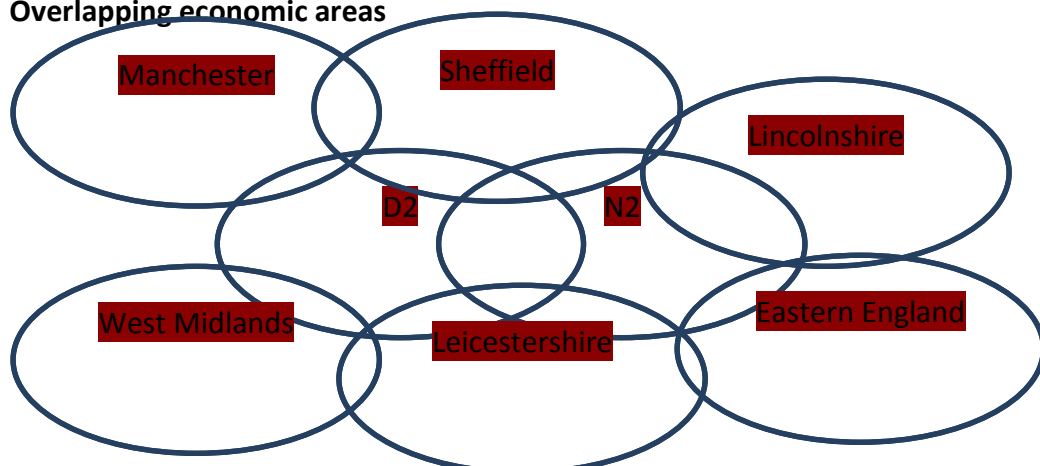
3. Local Enterprise Partnerships

3.1. The D2N2 LEP covers a wide area with many shared economic characteristics. However, there are clear distinctions within the D2N2 area between the D2 and N2 economies. There is a shared strength in manufacturing but with clear differences in the focus and strengths of manufacturing industries. For example, in N2 bioscience and medicine are important whereas in the D2 area transport manufacturing is key. Similarly, in transportation, the challenges of rural connectivity and accessibility in the D2 area differ from the focus in Nottinghamshire on the interplay between national transport corridors and local networks. The nature of the specific challenges and the focus of solutions is therefore different.

3.2. The D2N2 LEP is a key strategic partner for all Nottinghamshire Authorities. However, it has to be recognised that other LEPs and functional economic areas overlap with the area. Sheffield Combined Authority is an example of how these overlapping functional economic areas will be a key consideration in the development of an appropriate governance framework.

3.3.

Overlapping economic areas



- 3.4. The diagram illustrates clearly the challenge that is faced; whereas some combined authorities have worked primarily within defined urban areas with a single LEP the same solution cannot easily apply to the N2 area. As a consequence, consideration of governance will need to take this into consideration and provide the arrangements and capability to integrate with multiple overlapping agendas. Managing this complexity will be the key to harnessing the resources available across these areas to greatest effect.
- 3.5. As shown in the diagram above, the greatest overlap is with the D2 area. Ensuring that the relationship with D2N2 LEP is maintained and strengthened so that there is cohesion around common economic features and challenges across Derbyshire and Nottinghamshire will be central to ensuring robust governance.

D2N2 LEP

- 3.6. It is essential in any consideration of the governance arrangements that consideration is given as to how the arrangements considered will feed into and strengthen our key partnerships
- 3.7. D2N2 LEP is presently seeking to strengthen its own governance arrangements in order to ensure that it is best placed to deliver for both areas. The authorities involved in this review recognise the key importance in having a LEP that has the capacity and the credibility to facilitate work between the public and the private sector in order to deliver growth. Any arrangements for future governance will need to assist in the process.

4. Nottingham and Nottinghamshire's plans for growth

- 4.1. The economy of Nottingham and Nottinghamshire has undergone structural transformation over the last thirty years, moving from an economy reliant on large-scale, traditional heavy industries to one that is much more flexible and diverse. Service industries dominate the economic landscape and provide the bulk of employment opportunities in the city and conurbation. This is balanced out by resurgent manufacturing and energy sectors in the county that are building on the legacy of an area renowned for its ability to generate, make and innovate.
- 4.2. The economic structure of Nottingham and Nottinghamshire is diverse and the spread of sectors reflects issues such as skills levels and type, commuting patterns, availability of land and connectivity to key markets. There is also strong evidence of sector growth on the back of supply chain opportunities, with global companies such as Boots, Rolls Royce and Capital One generating significant added value for the local

economy and driving growth in manufacturing, life sciences and the business and finance sectors.

- 4.3. The 'powerhouse' sectors in GVA terms (excluding public administration, education and health) are distribution, transport; accommodation and food (20.1% of GVA in 2011) and production (14.6%). 74% of production's contribution to GVA is generated by manufacturing. Notable companies and OEMs in these sectors that are based in N2 include Wilkinsons, Boots, Hillarys, British Sugar, Lindhurst Engineering, Brunton Shaw, Speedo, Changan and CenterParcs. These will continue to be important sources of growth and employment into the future, but are also now joined by a whole host of innovative companies in other priority sectors – creative/digital, life sciences/medical, low carbon and logistics.
- 4.4. The public sector is still a major employer in N2, with health and education alone providing 113,700 jobs (24%) in the area in 2012³. Retail remains a significant sector for jobs, employing 55,000 people (or 12%) of the total workforce. These figures at N2 level mask intra-county discrepancies in terms of wage and skills levels, with the boroughs which border the city having higher skills and wage levels than the county average, and parts of the city and northern and western districts showing the opposite.
- 4.5. The population of the N2 area is 1.11million, with a working age population of 715,700⁴. 68% of the working age population is in employment of whom 7% are classed as self-employed. 26% of the working age population are inactive, with the remaining 7% being 'active' in that they are out of work but looking for a job.⁵ These figures mask a significant amount of variation within the patch, for instance Newark and Sherwood's unemployment rate is 2.7%, whereas the unemployment rate in Mansfield is 13.8%.
- 4.6. Skills levels are broadly in line with the East Midlands average, but around 4 percentage points behind the England average at N2 level. There are major differences between skills levels within N2. The % of people with no qualifications at all is higher than the national average in all areas except Gedling and Rushcliffe. The south of the area outperforms national averages in terms of the % of people with degree level qualifications, with over 54% of working age people educated to degree level or above in Rushcliffe and more than 36% in Broxtowe and Gedling.
- 4.7. Analysis by Nottingham City Council suggests that for the unemployed population to reach the same skill level as the employed population around 30,000 unemployed people would need to be up-skilled by the equivalent of at least one NVQ level. The

³ ONS Business Register and Employment Survey 2012

⁴ ONS 2013 Mid Year Population Estimates

⁵ ONS Annual Population Survey April 2013- March 2014

proportion of 16-17 years olds in full time Education and Training is higher than the England average (82.3% - March 2014) in Nottinghamshire at 84.2%, but lower in Nottingham at 80.2%. N2 partners' work on employment and skills is focussed on tackling this gap between areas that rely on the same labour market (that provided by the Nottingham conurbation).

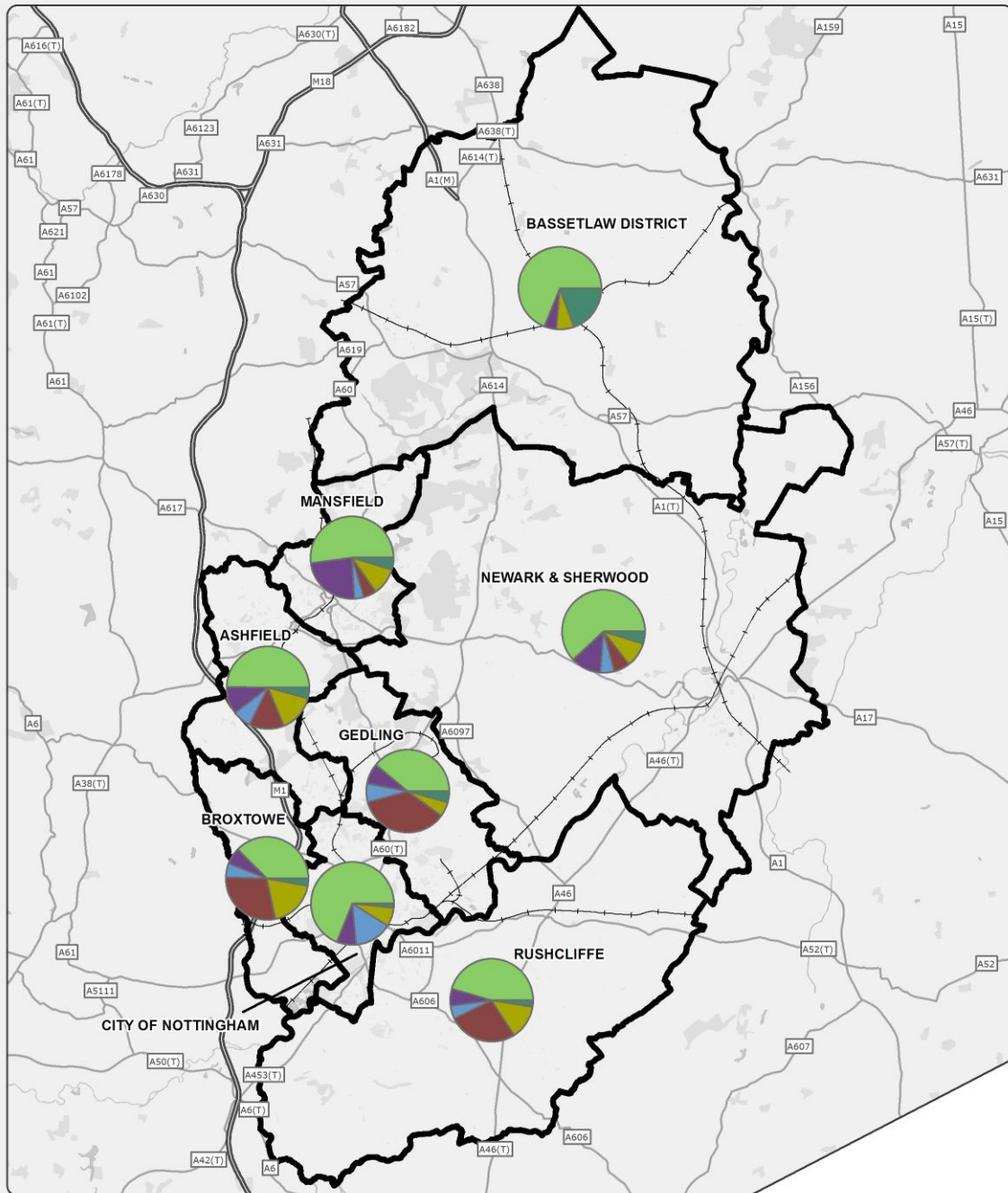
- 4.8. N2 is home to two world class universities bringing over 60,000 students into the area each year⁶. The University of Nottingham is a world leading research university, one of the UK's Russell Group and Nottingham Trent University is the 13th largest university in the UK.
- 4.9. The N2 economy functions in different spatial arrangements, depending on the nature of the local industrial base and the local labour force (see Fig 1 below). Some areas have significant in and out flows in terms of commuting patterns to sub-regional centres. Nottingham City remains a significant employment hub and provides jobs for nearly 90,000 people who commute in from surrounding areas⁷ (this includes cross-border movement from Derbyshire and Leicestershire). Over 55% of this commuter movement is from the borough council areas that immediately adjoin Nottingham, where transport connections are much better (and where the skills of the local population are more likely to match those required by the key sectors in Nottingham). 36% of Gedling residents in work, work in Nottingham City as do similarly high percentages of Broxtowe (29%) and Rushcliffe (27%) residents
- 4.10. There is an 'outflow' of commuting from Nottingham of over 38,500 people with most people travelling to the surrounding districts.
- 4.11. The travel to work patterns vary and, as would be expected, the level of commuting into Nottingham reduces with distance from Nottingham. Bassetlaw has an outflow of commuters to neighbouring South Yorkshire (19%). Mansfield (9%) and Ashfield (12%) have outflows to Derbyshire and Newark and Sherwood has an outflow to Lincolnshire (6%). Nevertheless, each of these districts is much more self-supporting in terms of the employment base and significant majorities of people work in the district itself or in neighbouring Nottinghamshire districts.

⁶ HESA student enrollments 2012/13

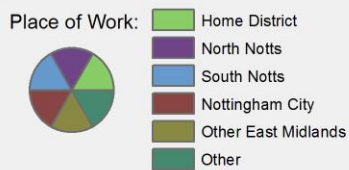
⁷ 2011 Census ONS

4.12. Fig 1.

Nottinghamshire Travel to Work Areas: Place of Work by District of Usual Residence



Key



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- 4.13. It is important for the area that while recognising the economic coherence across Nottinghamshire we also recognise the cross boundary flows that aid in strengthening our area. Our central location as a hub also needs to be recognised. There is a varying but significant level of functional economic coherence within the N2 area with the communities lying further from Nottingham demonstrating a degree of self-sufficiency and links with overlapping economic areas. The area connects with many overlapping functional economic areas and this position must be recognised through a strong governance structure.
- 4.14. An analysis of the transportation links assists in demonstrating the interconnected nature of the area at the same time as identifying the need for governance arrangements to be agile enough to face multiple directions simultaneously. Rail travel is one illustration with the East of the N2 area looking to the East Coast Mainline, the central areas looking to the Midland Mainline and provision of the new HS2 line station and the West of Derbyshire looking to a HS2 station at Crewe. Airports also illustrate the point with the southern area looking to East Midlands Airport, the north-west towards Manchester and north-east to Doncaster Robin Hood Airport.
- 4.15. With a population of over 1.11 million people and a GVA contribution of over £19 billion **Nottingham and Nottinghamshire is evidently already an area of national economic significance.** However, independent economic forecasts suggest that there is further potential to be developed. One forecast suggests that Nottingham alone *could* deliver an extra 10,000 jobs by 2020.⁸
- 4.16. We can do more. The two Growth Plans that cover the N2 area were drafted concurrently in order to align priorities and investment where possible across the area. There are shared priorities around infrastructure investment (i.e. the widening of the A453; superfast broadband; Nottingham Enterprise Zone; Newark Southern Link Road and Rolls Royce Hucknall) which the area's civic and business leaders promote into the D2N2 Local Enterprise Partnership and to Government. Significant resources (over £66 million) have been secured to support infrastructure activity across the area in the first round of the Growth Deal, with much more to come in future rounds.
- 4.17. Both Growth Plans also feature employment and skills and business growth as core priorities, and N2 partners are working closely together to align this with D2N2 proposals and funding plans. Thus the newly established N2 Skills and Employment Board is developing a framework that will drive future investment in upskilling the local labour force and re-engaging the long-term unemployed in key growth sectors,

⁸ Oxford Economics Economic Projections for Core Cities (November 2013)

and the wider N2 partnership is working with D2N2 on plans for a Growth Hub and new business support and access to finance initiatives.

- 4.18. The public and private sectors in Nottingham and Nottinghamshire have worked in strong, progressive partnerships focused on the economic transformation of the area. Greater decentralisation and autonomy or “earned devolution” is central to our future success. Public and private sector leaders have a detailed understanding of the Nottingham and Nottinghamshire economy, where it is strong and sustainable and where there are challenges that hold the economy back. Stronger governance offers us the opportunity to build on that partnership record, for example, by developing a single coherent growth strategy for the area.
- 4.19. N2 leaders recognise that in order to deliver the N2 economic strategy and to secure greater devolution and autonomy - strong stable, visible and accountable governance will be essential. The question for the N2 governance review has therefore not just been whether N2 governance arrangements sufficient today, but also whether they will be sufficient to deliver the N2 area’s medium to long-term ambitions?

5. The potential to strengthen Nottingham and Nottinghamshire governance

- 5.1. The Nottinghamshire Local Authority Leaders have a long-established collaborative relationship through a regular informal meeting which has maintained a strong focus on economic and transport issues. More recently, the Nottingham and Nottinghamshire Joint Economic Prosperity Committee has been established to provide a formal means of taking shared decisions on strategic economic development and ensuring that aspirations for the N2 area are properly understood and reflected in the priorities of the D2N2 LEP.
- 5.2. The leaders of Nottingham City Council, Nottinghamshire County Council and Newark & Sherwood District Council (representing the Nottinghamshire Districts) are members of the D2N2 LEP Board. The D2N2 LEP’s vision is for a more prosperous, better connected and increasingly resilient and competitive economy. Renowned and well-established businesses like Alliance Boots, Capital One, Speedo, DSG Retail (Currys PC World), DHL, Wilkinson’s, Laing O’Rourke and British Sugar together with an array of innovative small and medium-sized businesses demonstrate the strength of private sector business in Nottingham and Nottinghamshire.
- 5.3. Nottinghamshire County Council and Nottingham City Council are responsible for the strategic direction of transport planning and delivery in the N2 area and are the

bodies responsible for the [Nottinghamshire Local Transport Plan](#) and the [Nottingham City Local Transport Plan](#).

5.4. N2 local authorities have been able to secure significant improvements for economic growth through its collaborative approach including:

- *Securing the Nottingham Enterprise Zone which will grow health and wellness businesses as part of Nottingham's growing cluster of healthcare, bio technology and pharmaceuticals businesses*
- *Developing a shared view on the development of clusters of key business sectors across the N2 area.*
- *Working collaboratively to develop a strong pipeline of projects that can unlock economic growth and enterprise*
- *Securing the potential for investment in key projects through the D2N2 Growth Deal, ESIF programme, Nottingham City Deal, partnership working through cross City and County organisations such as destination management organisation Experience Nottinghamshire, and delivering employment support for young people through (Nottingham and Nottinghamshire) Futures.*

5.5. However, it is recognised that the pace and intensity of work required to realise the full potential of the N2 economy may require greater capacity for strategic planning and decision-making around N2's aspirations and that therefore the current arrangements through the Nottinghamshire Leaders Group and the Nottinghamshire Joint Economic Prosperity Committee may be insufficient for the following reasons:

- As an informal body, the Nottinghamshire Leaders Group is dependent on agreements by or delegations from the constituent authorities. This can slow down the implementation of decisions and can create ambiguity about when decisions are or are not subject to further ratification
- Decision-making in relation to economic development (including inward investment, skills and business support), regeneration, transport and the relationship with strategic Planning is not always effectively coordinated so that decisions affecting N2 are not always aligned in a way that secures maximum economic and social benefit
- A stronger and clearer relationship with the D2N2 LEP would deliver greater transparency and accountability in local decision making and a stronger sense of cohesion with and support for the Strategic Economic Plan
- A single, stable, democratically accountable body established as a permanent feature of local governance would be able to take a strategic and long term view about economic growth, infrastructure and transport.

- 5.6. The ability to secure devolved funding for major transport schemes and to play an active and strongly influential role in shaping major national infrastructure projects including HS2; the development of the East Coast mainline; the delivery of universal superfast broadband, and governance and oversight of delivery bodies which span authorities such as Nottingham Means Business, Experience Nottinghamshire and Futures are all dependent on improved N2 governance. It is recognised that more formal and robust arrangements will lead to a process of “earned devolution” – where greater local autonomy will follow strengthened governance and a track record of local competence. The constituent authorities recognise this important opportunity to secure significant devolution of powers and resources from central government and view the strong governance model of a Combined Authority as an opportunity to ensure this happens.
- 5.7. Creation of a Nottingham and Nottinghamshire Combined Authority therefore supports the N2 authorities’ ambitions for Nottingham and Nottinghamshire.

6. Evaluating the governance options

- 6.1. Good governance matters for two key reasons. The first relates to the need to manage and support economic development in an effective way. Collaboration across boundaries helps to ensure that maximum return on investment is being achieved, and that public policy has a keen impact (OECD 2009). The second reason relates to questions of transparency and accountability for decisions taken. This includes having the mechanisms in place to make tough, binding decisions at a level that reflects the most pragmatic representation of the functional economic geography of an area.
- 6.2. Section 4.5 of this report, establishes that there are strong reasons to strengthen N2 governance. There are four possible governance options that could be implemented in Nottingham and Nottinghamshire:

- 1. Maintain the current Joint Committee arrangements**
- 2. Improve the existing Joint Committee arrangements**
- 3. Establish an Economic Prosperity Board**
- 4. Establish a Combined Authority**

- 6.3. To ensure compliance with the relevant LDEDC and Local Transport Act legislation, consideration of the available delivery options seeks to establish and evidence which model would bring about an improvement in the area in the following:

*The **exercise of statutory functions** relating to economic development, regeneration and transport in the area;*

*The **effectiveness and efficiency** of economic development (and transport) and;*

*The **economic conditions** in the area.*

- 6.4. The Review considers the above statutory tests against the options, notwithstanding the absence of a clear definition of ‘economic development and regeneration’. Government guidance on undertaking governance reviews under the Local Transport Act has been available for some time. DfT has confirmed it is looking for the following headline issues to be addressed in the formulation of governance arrangements in order to be accountable for devolved major transport scheme funding:

Effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration

Robust and streamlined decision making arrangements which allow necessary decisions to be taken on complex and difficult issues in a timely and transparent manner

A real enhancement of delivery capability and capacity by taking a coherent and integrated approach to managing currently fragmented transport planning and delivery skills and capacity.

- 6.5. There are limits to comparisons between the options. The existing N2 Joint Committee arrangement is fit for purpose within the current N2 operating environment and the nature of relationships with adjacent LEP areas. However, firmer and stronger local governance arrangements will enhance our ability to deliver, bring cohesion and pace to decision-making and improve opportunities to acquire new powers and investment.
- 6.6. Creating appropriate governance structures alone will not achieve our ambitions for the N2 area. Issues around policy development, organisational culture and values and recognising/ maintaining the importance of local identity within geographies will also be key factors.
- 6.7. Any resulting governance model will also need to:

Create the capacity for clear agreement to be reached on the most challenging strategic issues; and

Create the space for debate that national politicians find difficult to manage - thereby demonstrating the confidence in the scope for greater devolution of responsibility in future.

- 6.8. Analysis of the four possible options has been undertaken objectively and within the context of existing challenges. It also takes into account the potential opportunities around enhanced freedoms, flexibilities and powers and the scope for further devolution in the medium term.

- 6.9. **Maintain the current Joint Committee arrangements.** The nature of current arrangements is set out below.
- 6.10. The N2 Joint Economic Prosperity Committee is tied to the broader governance structure of the LEP and aims to work closely with the D2 Joint Committee for Economic Prosperity and other neighbouring authorities including the Sheffield City Region Combined Authority (SCRCA) to ensure fully effective arrangements for the purpose of progressing economic development, regeneration and transport.
- 6.11. The D2N2 Board considers it is best placed to take the strategic lead in delivering the D2N2 programme including identifying the priorities, activities, schemes, programmes and projects that best meet the economic needs and ambitions of the D2N2 area and delivering the objectives of the Strategic Economic Plan and the EU Structural and Investment Fund Strategy. D2N2 will take an active role in managing the delivery of the 2014-2020 programme, working with both Joint Committees and the Accountable Body to:

Take decisions about what is procured, when it is procured and how it is procured.

Engage with the 'provider' market to inform the development of propositions of the appropriate scale, impact and strategic fit.

Pursue a balance of commissioning and calls for projects with a blend of collaboration, LEP wide and local programmes and activities, to deliver the outputs and outcomes required.

Undertake strategic assessments of applications, programme or project proposals, expressions of interest or any other relevant application for EU SIF funding from the D2N2 allocation.

Oversee and manage the performance of the programme and delivery partners to ensure that the programme meets its mid-term performance criteria.

Review the overall direction, governance and delivery of the programme to ensure that it remains responsive to local needs and opportunities.

- 6.12. The Board takes overall responsibility for the LEP's activities in developing and managing delivery of the SEP. A lean governance structure draws on the support and takes account of the input of the D2 and N2 Joint Committees, other panels/ boards and the advice of the Accountable Body to ensure decision-making is informed by local priorities and compliance with relevant regulations.
- 6.13. The relationship with the N2 Joint Committee is recognised as a key part of the D2N2LEP governance and delivery framework, in its aspiration to maximise local

strategic engagement in decision-making. The LEP anticipates that the Joint Committee will fulfil a role and purpose as set out in the Government's Growth Deal guidance which is to:

Demonstrate wider commitment to growth;
Align and pool local authority capital and revenue spending on growth;
Provide effective collaboration on economic development activities;
Develop synergy with local growth programmes.

6.14. In practice, this system of governance has exposed some challenges and problems in terms of:

the extent to which the N2 Joint Committee is an advisor, influencer or co-decision-maker in any key decision;

the extent to which N2 strategic aspirations have been reflected in decision-making by the D2N2 LEP;

the transparency of and accountability of decision-making.

Securing investment, whether that is through 'growth deals' with Government or by encouraging private investment, requires local authority partners in the N2 area to be able to act with agility and pace, to coordinate efforts with D2 partners and to engage positively with the D2N2 LEP. Current arrangements have proved to be sub-optimal in these respects because of timing delays and a lack of clarity in the decision-making relationships.

6.15. In summary, the current Joint Committee arrangement:

Supports the LEP-wide delivery programme,

Assesses projects and proposals and provide recommendations to the Board,

Provides advice on a range of activities around local priorities and programmes,

Develops of a 'pipeline' of delivery projects and programmes

but

demonstrates some ambiguity and inefficiency in decision-making and strategic alignment

and

is deficient in transparency and clarity of accountability.

- 6.16. **Improve the existing Joint Committee arrangements.** This option involves extending the scope and functions of the current Joint Committee.
- 6.17. There is potential to consider adding additional oversight of the strategic elements of functions such as strategic planning, transport and housing as well as seeking to integrate some strategic and operational aspects of economic development, transport and infrastructure work. It would also be possible to extend the working arrangements of the Committee itself – perhaps through discussion with the LEP around matters of delegation and delivery.
- 6.18. Establishing clear priorities for growth within the N2 area which contribute to the overall D2N2 SEP priorities will help to ensure that the Joint Committee’s influence in shaping the SEP and its delivery activities is strengthened. A clear agreement on how the Joint committee’s governance systems dovetail with the LEP and the implications for the ways in which decisions are taken and influenced would be an important goal in improving the current Joint Committee arrangements.
- 6.19. The underlying principles of the operation of the Joint Committee would, however, remain the same (see 6.14 and 6.15 above) with its inherent advantages and disadvantages.
- 6.20. **Establish an Economic Prosperity Board (EPB).** There is no legal definition of ‘economic development and regeneration’ nor the functions that relate to these activities. Legislation allows for any function of the participating local authorities to be granted to an EPB. It is for local authorities to put forward and make a case for the functions for inclusion in an EPB. In the overall ‘hierarchy’ of options, this is the first of the more formal vehicles. An EPB is a legal entity and statutory body – created for purpose of promoting the sustainable economic development and regeneration of its area (it is a body corporate). Its functions should be those that allow it to fulfil this role and should be responsive to local conditions.
- 6.21. An EPB is an ‘accountable body’ and therefore can have devolved powers and hold funding. An Integrated Transport Authority and an EPB can co-exist.
- 6.22. Previous documentation, *Transforming Places; Changing Lives: Taking Forward the Regeneration Framework* set out the Government’s three priority outcomes for regeneration:

Improving economic performance and tackling worklessness, particularly in deprived areas

Creating the right conditions for business growth which could include investment in infrastructure, land use, and a better public realm; and

Creating sustainable places where people want to live and can work and businesses want to invest.

Any proposal needs to have regard to these outcomes in considering what functions should be granted to an EPB.

- 6.23. An EPB attracts additional potential in relation to funding (the basis by which the contribution of each participating council will be determined is not specified in the Act and needs to be agreed locally when drawing up proposals):

The Secretary of State may give funding to EPBs under section 31 of the Local Government Act 2003, although it is not likely that Government will provide any additional funds to EPBs over and above what would already be provided to their area for the activities they will be carrying out

EPB's do not have any tax raising powers

EPB's do not have power to issue a levy to constituent authorities

EPB's do not have the power to borrow.

- 6.24. An EPB therefore addresses the weaknesses identified with the Joint Committee in that there is clarity and transparency in decision-making as the EPB is a formal legal entity with powers to act as an accountable body and can therefore align strategy and resources more effectively. However, an EPB does not encompass strategic transport and, given the importance of connectivity in N2's aspirations, it is unlikely that an EPB would satisfy the issues set out in Paragraph 5.4.

- 6.25. **Establish a Combined Authority.** A combined authority is the most comprehensive vehicle for delivering economic regeneration. Combined authorities may be given functions of the constituent local authorities in the same way as EPBs and it is for local authorities to propose the functions the new body will need and to justify this decision.

- 6.26. In addition, combined authorities may be delegated functions of local authorities and the Secretary of State, and have powers and functions of ITAs transferred to them under the provisions of chapter 2 of part 5 of the Local Transport Act 2008. They also have certain functions and powers in their own right, such as a general power of competence.
- 6.27. Like EPBs, combined authorities provide strong governance arrangements and therefore attract funding freedoms and flexibilities. The Act provides them with similar financial powers to those available to ITAs, including the power to borrow and the power to levy relevant constituent authorities. Powers will only apply in relation to transport functions. Combined authorities can therefore levy relevant constituent authorities to meet costs that are attributable to transport activities and to fund transport projects and can borrow for transport purposes.
- 6.28. A combined authority can't fund any activity whose overarching purpose is not to deliver transport objectives or functions by means of the levy or through borrowing. These other costs will need to be met by constituent councils according to an agreed formula, as is the case for EPBs. The Secretary of State has the power to give section 31 funding to a combined authority, but does not expect to use this power to provide a level of funding over and above the level previously awarded to the constituent local authorities for the activities that the combined authority carries out.
- 6.29. A combined authority therefore meets the first test set out in paragraph 5.3 in that it permits the efficient discharge of statutory economic growth and strategic transport duties, and does so to a much greater extent than an EPB.
- 6.30. The second test is around improvements to the effectiveness and efficiency of economic development and transport and the CA model provides a governance mechanism through which strategic issues and challenges can be coordinated and decisions can be taken.
- 6.31. The combined authority will also meet this element of the test (and arguably the third and final element below) through an improved contribution to both the D2N2 LEP and those others such as Sheffield City Region Combined Authority. In particular arrangements an N2 Combined Authority would be able to provide a clear contribution to stronger governance arrangements for the LEP as a whole. Strengthening decision-making also paves the way for greater collaboration in aligning current resources and capacity.
- 6.32. The final (and arguably most important) test is the impact on economic conditions in the area. A combined authority is the only governance vehicle which has the potential to address the challenges set out in paragraphs 5.5 and 5.6 of this report and to create the conditions in which a substantial growth in jobs and GVA can be achieved.
- 6.33. The **Maintain the current Joint Committee arrangements** option is discounted on the basis of:

Failure to strengthen N2 governance will compromise the medium to long-term ambitions of the area and therefore be detrimental to the future economic performance.

Failure to formalise N2 governance will not address current weaknesses and ambiguities in decision-making and transparency

An opportunity would be missed to better align decision-making around strategic economic development, transport and regeneration.

- 6.34. The second option, **Improve the existing Joint Committee arrangements**, is also discounted on the grounds that there are limits to what can be achieved through a less formal partnership. It is likely that decision-making would be slower because of the need to ratify decisions at constituent authority level. This option would not satisfy the Government's requirement for stronger governance and therefore would not open up opportunities for greater devolution of powers and resources with the consequent implications for outcomes for local economic growth.
- 6.35. N2 Leaders recognise that only a statutory body with a legal personality in its own right will be strong enough to lead the collaboration between N2 local authorities and form the necessary legal relationships required going forward. Having considered the tests set out in LEDEDCA, a Combined Authority is considered to be the optimal legal model for N2. The Combined Authority model is preferred to an Economic Prosperity Board because of the **overwhelming benefits of aligning decision making in relation to strategic economic development and transport under one strategic body**. The Combined Authority model is also more likely to secure the benefits of "earned devolution".
- 6.36. The rationale for the Nottingham and Nottinghamshire Combined Authority is underpinned by **three key findings** of the N2 Governance Review:
- the N2 area is an ambitious and diverse sub-regional economy including the core city of Nottingham and with complex economic overlaps with Derbyshire, the Sheffield City Region, Lincolnshire and Leicestershire, with some **untapped economic potential** and clear plans for growth;
 - there is **the potential to strengthen N2 governance** both in term of the efficacy of decision making and in terms of transparency and accountability;
 - having considered the various options available (including maintaining the current Joint Committee option), establishing the Nottingham and Nottinghamshire Combined Authority is the option **most likely to deliver sustained economic and social benefits** to the N2 area.

- 6.37. **The headline recommendation of the N2 Governance Review is therefore that establishing the Nottingham and Nottinghamshire Combined Authority is the optimal solution to the issues and opportunities set out in this document.**

Specific detail relating to the Nottingham and Nottinghamshire Combined Authority including: the area it will cover; its membership; voting and any executive arrangements; its functions and the way in which it will be funded are set out in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority***. As detailed in the scheme, the recommendation of the N2 Governance Review is that the Nottingham and Nottinghamshire Combined Authority should be established according to the following principles:

*The Nottingham and Nottinghamshire Combined Authority should be **lean, streamlined and focussed**. The purpose of the CA will be to provide strong, stable governance and support the Nottingham and Nottinghamshire area to fulfil its huge potential. The delivery of this vision will be facilitated by attracting new powers, duties and funding to the Nottingham and Nottinghamshire Combined Authority.*

*In addition to this, the CA will be a mechanism by which Nottingham and Nottinghamshire is able to formalise arrangements where there is already effective collaboration (e.g. skills and inward investment). **Decisions on these matters will be made in one place, by elected Leaders** who are responsible for strategic direction and underwriting any risks.*

- 6.38. The Nottingham and Nottinghamshire Combined Authority will, so far as is practicable, reflect the functional economy of the Nottingham and Nottinghamshire area. It is recognised that economic interdependence and cohesion varies across the area and is less pronounced for communities that lie further from Nottingham. Therefore, our understanding of the functional economy takes into account the need to ensure that there are strong collaborative mechanisms in place for ensuring that the overlapping economic interests with neighbouring areas are properly addressed. Specifically, this means ensuring there are strong relationships with the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (Sheffield City Region), the proposed Combined Authority for Derby and Derbyshire (D2N2 LEP area), Lincolnshire local authorities and the Lincolnshire LEP, and Leicester and Leicestershire local authorities and the LLEP. This is the optimal deliverable solution for the N2 area.
- 6.39. The governance arrangements need to recognise the challenges outlined in paragraph 3 above. N2 are clear that this unique set of challenges faced in the creation of this body need explicit recognition and that this can be achieved through a **duty to**

cooperate. The adoption of such a duty by the proposed Combined Authority will give a clear footing for work with D2. The special relationship with D2 through the LEP will be given particular attention in the design of the governance arrangements to ensure that the strength of working as a whole is retained while at the same time providing the agility needed in order to deal with the complexity of the functional economic arrangements referred to above. This flexibility internally will be key to addressing the challenges set out in paragraphs 5.6 and 5.7 above.

- 6.40. Arrangements with others such as the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority would be supported by the creation of Memoranda of Understanding with these partners to ensure that such integration has a clear framework. The arrangements would be strengthened if other areas were also to have such a duty. However, we accept that this is a matter for them.
- 6.41. Under current legislation, a combined authority must hold the same responsibilities relating to transport, regeneration and economic development across the whole of its area. Therefore a combined authority including Nottinghamshire County Council must hold the same transport, regeneration and economic development responsibilities for all of the districts in the county. Under the current statutory requirements, therefore, a Nottingham and Nottinghamshire Combined Authority would include all of the constituent authorities in this review.
- 6.42. The involvement of constituent authorities in neighbouring combined authorities is positively encouraged through these arrangements as this can only aid understanding and cooperation between areas to the advantage of both. Specifically, for the Nottingham and Nottinghamshire Combined Authority, Bassetlaw District Council's continuing membership as a non-constituent member of the Sheffield City Region Combined Authority is seen as a key strength.
- 6.43. Strategic Powers will be held concurrently by the Nottingham and Nottinghamshire Combined Authority and the constituent authorities. Decision making will take place based upon the principle that the Nottingham and Nottinghamshire Combined Authority would be responsible for the strategic direction of the N2 area (within the context set out by D2N2's Strategic Economic Plan and the EU Structural and Investment Fund Strategy). The N2 constituent authorities will wish to continue making local decisions. The constituent authorities will agree where precisely the balance between strategic and local decision making sits as the Combined Authority develops.
- 6.44. Whilst the possible legislative changes might lead to future reviews of the governance arrangements for the N2 area, any changes would need to be considered against the statutory tests and government expectations set out in paragraphs 5.3 and 5.4 of this report.

- 6.45. The Nottingham and Nottinghamshire Combined Authority will have nine members – Ashfield District, Bassetlaw District, Broxtowe Borough, Gedling Borough, Mansfield District, Nottingham City, Nottinghamshire County, Newark & Sherwood District and Rushcliffe Borough Councils. The voting rights of all members will be defined in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority***.
- 6.46. As detailed in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority*** the Nottingham and Nottinghamshire Combined Authority shall have the power to issue a levy to the relevant constituent councils in respect of the expenses and liabilities of the CA which are reasonably attributable to the exercise of its functions relating to transport. The amount to be raised by the levy shall be apportioned between the relevant constituent councils on an agreed basis. Non-transport functions will be funded from a budget agreed annually by CA members and apportioned as above. The constituent councils intend to include scope to allocate finances such as surpluses from the NDR pool to support the work of the Nottingham and Nottinghamshire Combined Authority.
- 6.47. The Nottingham and Nottinghamshire Combined Authority will need support from a small executive function. N2 local authorities are committed to reviewing policy and delivery functions for economic development and to ensure that links are made where appropriate and to drive out efficiencies in the delivery of common functions.
- 6.48. As detailed in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority***, the Nottingham and Nottinghamshire Combined Authority will have powers in relation to strategic Economic Development and Transport. As noted above, it is the intention of all partners that the Nottingham and Nottinghamshire Combined Authority remains a streamlined and focussed strategic commissioning body. Accordingly, powers and duties outlined in the scheme will be taken up as and when necessary by agreement between the constituent authorities.
- 6.49. Strategic Economic Development will include collaboration around functions such as economic policy and strategy, skills, inward investment, major infrastructure and housing investment decisions and decisions relating to other economic assets.
- 6.50. In time, and by local resolution, partners may choose to take-up additional powers which become available to the Nottingham and Nottinghamshire Combined Authority. The transfer of any powers from constituent authorities would require a decision from each constituent local authority.
- 6.51. The Nottingham and Nottinghamshire Combined Authority, as a legally independent body, should act as the accountable decision-making body for matters of significance (where N2-level collaboration is desirable and adds value), delegating powers and duties to sub-committees as appropriate. The Nottingham and Nottinghamshire

Combined Authority should also act as the Accountable Body for N2 funds and investments. It is recognised that this will need to be carefully co-ordinated with D2 to ensure consistency and efficiency across the LEP area and this will be done through joint arrangements to enable agility in decision making across the LEP area that is not a characteristic of the present arrangements.

- 6.52. Finally, it should be noted that many partners agree that this approach will deliver the best outcomes from the area and enable a step change in the way strategic issues are tackled across the area. For example, the Great Nottingham Debate 2014 came to the same conclusion as this review, approaching the consideration from a practical consideration of what will work for the N2 economic area.

7 Recommendation

- 7.1 Our Governance Review concludes that establishment of an N2 Combined Authority **would improve the exercise of statutory functions in relation to economic development, regeneration and transport and would lead to an enhancement of the economic conditions and performance of the Nottingham and Nottinghamshire area. We therefore recommend to the nine constituent authorities that a submission should be made to the Secretary of State for Communities and Local Government for the establishment of a combined authority for Nottingham and Nottinghamshire, including Ashfield, Bassetlaw, Broxtowe, Gedling, Mansfield, Newark & Sherwood and Rushcliffe.**